THE STOCK OF GOLD IN THE COUNTRY.

The amount of gold in the country, as computed by the Treasury Department, is much in excess of the amount held by the Treasury and the banks; and therefore many persons believe the amount said to be in the country is excessive. But an analysis of the figures will show that the Treasury computation of the entire stock of gold is not at all improbable.

In the first place, the disparity between the visible supply and the entire quantity is not materially larger in the case of gold coin than in the case of legal tender notes. The last report of the Comptroller of the Currency gives the amount of the different sorts of money in national banks and in all other banks, so far as it could be ascertained, on June 30, 1899. The following table is compiled from this statement and the Treasury statement of the total amounts of the several sorts of money: —

	Gold coin.	*Legal tenders.*
In the Treasury	$153,522,596	$37,046,155
In the banks	212,100,594	172,621,612
Invisible supply	489,959,865	230,531,529
Aggregate	$855,583,055	$440,199,296

Of the gold, nearly 18 per cent. was in the Treasury, and over 24 per cent. in the banks, the visible supply being 42.73 per cent. of the total. Of the legal tenders, 8.42 per cent. was in the Treasury, 39.21 per cent. was in the banks, the visible supply being 47.63 per cent. of the whole. This last percentage is somewhat too high. The state banks do not in all cases distinguish between legal tender notes and other money which state laws permit them to hold as reserves. If we could eliminate the other money, we should find that the percentages of legal tender notes and of gold coin in the visible supply were even nearer together.

If we eliminate the state banks, we find that the percentages of gold and of legal tenders in the Treasury and in the national banks are almost identical. Of all the gold alleged to be in the country, 34.03 per cent. is in the Treasury and the national banks; and, of all the legal tenders known to be in the country, 34.84 per cent. is in the Treasury and the national banks.

But paper money is in every one's pocket and in every merchant's till, and the invisible supply of paper is easily accounted for, while gold, it is objected, is little in circulation; and the existence of nearly $500,000,000 of it which cannot be located is highly improbable. But it is not impossible, and a further examination will show that it is not very improbable. Gold is in much greater circulation than it was three or four years ago (the reason for which will be considered presently), and more so than can be accounted for by the increased supply of gold. Whatever error there may be in the Treasury's statement of the gold in the country, its calculation of the increase in three years cannot be far out of the way. From January 1, 1896, to January 1, 1899, the amount of gold coin in the country increased $239,344,185, about 42 per cent. The amount of gold paid to the government for customs in New York in the fiscal year 1896 was insignificant: it was not much greater in the following year. In 1898 it was $22,023,744, and in 1899 it was $107,496,733. Lately the Treasury has been publishing a more interesting set of tables, giving the amount of each kind of money paid to the government at all the Treasury offices for all purposes. The amount of gold paid to the government in three fiscal years was as follows:—

1897	$185,269,299
1898	208,304,391
1899	899,780,020

Evidently, the use of the several sorts of money depends on something besides the quantity of it in existence. The change that has occurred in the use of gold in transactions with the government is shown in the following table, which gives for

three years the percentage which each kind of money constituted in the total payments to the government: —

	1897.	1898.	1899.
Gold coin	8.40	10.03	37.76
Silver coin	3.32	4.10	3.00
United States notes	36 33	34.90	20.66
Treasury notes	9.00	7.81	5 40
National bank-notes	6.30	5.83	5.00
Gold certificates	.40	.13	.26
Silver certificates	36.10	37.04	27.75
Minor coin	.15	.16	.17
	100	100	100

It may be admitted that a good deal of this aggregate represents book-keeping rather than the actual transfer of coin. But an increase of gold in customs payments at all ports, from $5,374,940 in 1897 to $134,851,752 in 1899, is an actual increase in gold coin handled; and, as the fictitious receipts and disbursements of gold at the New York sub-treasury are not peculiar to 1899, the significance of the ratio of increase is not abated by making a liberal allowance for transactions where gold payments were effected on the books rather than over the counter.

It may be that most of us see no more gold than we did three or four years ago; but this only teaches us to be cautious in generalizing from our personal experience. Here is evidence of an enormous increase in the use of gold, whether we see it or not; and the increase is wholly out of proportion to the increase of the quantity in the country. If this is not a demonstration, it at least raises a strong presumption that there was a large sum of gold in the country in 1896,— very likely as much as the Treasury statement showed, although it was not circulating. It ought not to take long to recognize a reason why it did not circulate.

In the *Forum* for August, 1899, Professor R. P. Falkner concludes that a large error in the Treasury statement is proved by reports of the various kinds of money deposited in the banks, national and other, on the settling day nearest to July 1, 1896. The percentages of gold, silver, and paper which the

Treasury stated to be in the hands of the people, and the percentages deposited in 5,530 banks on the date named, were as follows: —

	In the hands of the people.	*Deposited in bank*
Gold	24.6	8.3
Silver	10 2	7 3
Paper	65.2	84.4
	100	100

It seems to Professor Falkner incredible that there should be so much gold in the hands of the people, when they deposited so little. "If in the circulation of the country," he says, "gold formed 25 per cent., it must appear strange that so little of it was paid to the government for customs dues. In the aggregate customs receipts for 1897, of $176,155,705, only $5,437,500, or a little more than 3 per cent., was received in gold." Most of this was in San Francisco. The really singular thing is that he should have overlooked conditions in 1896 that would have explained the fact, even if no customs dues whatever had been paid in gold. It has been shown above that three years later $134,851,752 of customs were paid in gold, and about $900,000,000 in gold was paid to the government on all accounts. He dismisses the suggestion of hoarding thus: "Sporadic cases of miserly hoarding of coin may indeed occur; but it will hardly be credited that the intelligent American people, ever keen to make a profit, have put away over one hundred million dollars of gold, relinquishing all hope of interest upon this capital." But, if the theory of hoarding were true, it would not help the money difficulty; "for such hoarded gold cannot be considered a part of the monetary system. It would merely prove what I have contended; viz., that the available gold basis of our monetary fabric is less than is currently believed." Believing the Treasury to be in error, and unable to discover error in its method of computation, he concludes that a large amount of gold has been carried out of the country in the pockets of travellers and returning immigrants.

This reasoning is as inconclusive as the suggested solution of

the problem is improbable. When letters of credit are in general use, and immigrants are entirely familiar with the postal money order system and with the fact that steamship companies sell one pound drafts, it is highly improbable that any large amount of gold goes out of the country in pockets. If gold were hoarded, it would not be lost to the monetary system; for it was hoarded, not because we are a nation of misers,—and even the miser's gold returns to circulation when he dies,—but because of temporary conditions so patent, so conspicuous, that it is hard to understand how they should be ignored.

July 1, 1896, was about the worst date that could have been selected for estimating the amount of gold in the country by counting the number of gold dollars deposited in the banks. The Comptroller had no such purpose: he was merely continuing the studies of his predecessors in the substitution of instruments of credit for cash. For that purpose the date he selected was as good as any. But, for Professor Falkner's purpose, no date could have been worse. The country had not begun to recover from a panic which was caused by the apprehension that the government would have to pay its obligations in silver instead of gold. Four loans had been negotiated in two years and a half, to procure gold to enable the Treasury to redeem legal tender notes. In three years, from July 1, 1890, to July 1, 1893, the gold belonging to the government had been reduced $94,746,991. In the next three years, to July 1, 1896, the gold owned by the government increased only $6,214,191, although in the mean while the government had procured $293,481,895 in gold by means of loans. In four fiscal years, 1893 to 1896, the Treasury paid out $462,952,649 of gold in the redemption of its notes; yet the net export of gold, according to the Treasurer (the Bureau of Statistics makes the amount a little smaller), was only $203,608,503. What became of the difference, if the gold were not hoarded? It was notorious that in 1893 and at subsequent times during the period of danger of silver payments there was a great increase in the demand for boxes in the safe deposit vaults. In 1891 the writer was told by a

manufacturer in a North-western state that he had been paying out $10,000 in gold monthly to the operatives in his factory. In the December previous the bank had objected to furnishing the gold, but did so when he insisted. In January it flatly refused to supply gold, and he paid in paper and silver. The Senate had on January 14 passed a free coinage bill, which was impending in December.

On July 1, 1896, the conditions were pre-eminently favorable for the hoarding of gold. The country was on the eve of a Presidential campaign, in which it was quite certain that the Democratic party would promise the free coinage of silver, and the leaders of the Republican party were by no means united in support of the gold standard. The candidate for the Presidency had publicly denounced the attitude of the Cleveland administration towards silver; and his principal rival in the convention, who had been regarded as distinctively the sound money candidate for the nomination, had been dallying with international bimetallism as a *modus vivendi* between the two wings of his party. It is not singular that the gold in the country was kept out of circulation. Some of the gold exported may have been hoarded; that is, it may have been sent to Europe as a speculation, to be sold for silver if the country went upon a silver basis and gold went to a premium. When the Democratic party elected President Cleveland in 1884, one of the most distinguished and financially successful Democrats in the country bought a million dollars' worth of London exchange as a speculation, anticipating that the victory of his own party would depreciate the currency and send gold to a premium. I have not the permission of the Democratic senator who told me of this transaction to mention the name of the buyer of the exchange, but his name and the name of my informant are the names of two of the most distinguished leaders of the Democratic party during the past quarter of a century. But, even if the gold exported went abroad for purely commercial reasons, the enormous excess of gold payments by the Treasury in the redemption of notes over the net exports of gold, or any visible accumulations of gold, leave no doubt that gold was hoarded, as the political conditions of the

period leave no doubt that there was ample reason for hoarding it. There may have been a loss of interest; but there was a prospect of a great profit in the premium to which gold would have gone, had the government discharged its obligations in silver.

If we go back now to the various sorts of money deposited in banks on July 1, 1896, we find that the gold was $1,868,589; and, if we take the year at three hundred business days, this indicates a deposit of $560,000,000 of gold per annum. That is very near the mean amount of gold coin in the country during the fiscal year 1896, according to the Treasury statement. If $19,084,598 in currency was deposited in one day, $5,725,000,000 would be deposited in a year. The mean amount of currency in the country during the year was $1,128,816,225. It would appear, then, that every dollar of gold was deposited once, and every dollar of currency was deposited five times. Of course, less money was deposited on July 1 than on many other days; for that is very near the dullest season of the year. It is also true that nearly all the gold deposited on that day was deposited on the Pacific coast and in the mountain region. But, if currency circulates only five times faster than gold, the fact that it is not in the Treasury and the banks on a given date need not occasion surprise or lead to the searching of passengers' pockets for the gold. If we disregard the money in the Treasury and consider only that in circulation, dividing by the amount of each the amount that would have been deposited in a year based upon the deposits of July 1, we find that the coefficient of circulation is for gold coin 1.2, for silver coin 4.4, and for paper not quite 5.9. If we think the Treasury statement of the amount of gold in the country is exaggerated, then we proportionately increase the coefficient of circulation. As a large amount of gold was disbursed in the fall of 1899 on account of the exhaustion of the supply of notes, we shall probably learn in due season that the amount of gold paid to the government in the fiscal year 1900 was much greater than the amount the year before.

Under the very different conditions now prevailing it would be most interesting to have a statement of the amount of each

kind of money deposited in the bank on a given day. The result would be quite unlike that of four years ago. But even without such an enumeration it is clear that gold was hoarded four years ago on account of the danger of silver payments; and, that danger having passed, the gold has returned to circulation.

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NEW YORK.

PROFESSOR THOMAS NIXON CARVER, of Oberlin College, has accepted an invitation to join the academic staff of Harvard University, and will begin service at that institution in the fall of the current year. Professor Carver will act also as associate editor of the *Quarterly Journal of Economics*. Professor Carver's contributions to economic theory in periodical literature have won wide recognition, and have established his reputation as an acute and independent thinker. He is assured a cordial welcome in his new duties, alike from his associates among American teachers of economics and from the wider constituency to which the Journal is addressed.

AMONG the publications of the quarter, we note two that will command at once the attention of students of economics. Professor John B. Clark, of Columbia University, has issued his long-promised volume on *The Distribution of Wealth;* and Professor Gustav Schmoller of Berlin has published the first and major part of his *Grundriss der allgemeinen Volkswirthschaftslehre.* There could hardly be greater divergence in the method of treating economic principles than appears in these two volumes, the one analyzing the phenomena of the modern industrial world by abstract deductive reasoning, the other surveying the whole sweep of social and economic organization